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C O N F I D E N T I A L SECTION 01 OF 02 SANAA 001571

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TAGS: [PREL](#) [PGOV](#) [PTER](#) [ECON](#) [ETRD](#) [YM](#) [ECON](#) [COM](#) [ENERGY](#)

SUBJECT: SALEH ON HUNT OIL DISPUTE, 2006 ELECTIONS, VISIT TO WASHINGTON

REF: A. SANAA 1511

[B](#). SANAA 1352

[C](#). SANAA 1281

Classified By: Ambassador Thomas C. Krajeski for reasons 1.5 b and d.

[1](#)1. (C) Summary. Ambassador met with President Saleh on June 9 to encourage the ROYG to resolve its dispute with Hunt Oil. He highlighted for the President the many potential negative effects for Yemen if the headline American company in the country took the ROYG to the International Public Court. Ambassador and Saleh also discussed the award of the Aden Port management contract to Dubai Ports International, scheduling for Saleh's upcoming visit to Washington, and the 2006 Presidential election. End Summary.

Award of Aden Port Tender to DPI a Positive Sign...

[1](#)2. (C) Focusing on ROYG economic reform efforts to improve its investment climate, Ambassador zeroed in on two recent events, the Aden Port tender award to Dubai Ports International (DPI) and ROYG's on-going dispute with Hunt Oil. He praised Saleh for the ROYG's June 8 announcement awarding the Aden Port tender to DPI as a positive symbol that Yemen is serious about opening its economy to foreign investment. DPI, said Ambassador, is an excellent and experienced company with an international reputation. It is the right choice to develop the huge potential of Aden Port and the Aden Free Zone. Saleh responded that he personally had made the decision. (Comment: While the tender process was far from transparent, this indicates the President understands that such an important contract for Yemen's economic development needed to go to the most capable bidder. End Comment).

...But Hunt Oil Dispute, Not So Much

[1](#)3. (C) Ambassador said the USG was concerned that the headline American Company in Yemen will be forced to leave Yemen at a time when Yemen is trying to improve its investment climate, a major tenet of economic reform (ref A). Hunt believes its case has a strong legal basis, Ambassador told Saleh, and has made its intentions clear to sue the ROYG at the International Public Court in Paris. Litigation promises to be costly and lengthy, and a crucial source of Yemen's revenue could well be held in escrow during the proceedings.

Saleh: Hunt's Extension is Over, Finished!

[1](#)4. (C) "The contract is over, it is finished!" exclaimed Saleh, "new conditions must be established." Saleh agreed that avoiding a court battle was best. He suggested to Ambassador that he meet with Prime Minister BaJammal and Oil Minister Baraba to discuss "in detail" the terms and conditions of a new PSA. "You can leak this information to Hunt," said Saleh, "tell them they will have priority over the other companies -- they will win." Ambassador politely demurred. A meeting with PM BaJammal was possible, but we could not involve ourselves directly in the negotiation. Ambassador stressed that Hunt maintains it signed a legally binding agreement with the ROYG for a five-year extension. Although the firm is willing to discuss some of the financial details, it will go to court rather than renegotiate the extension itself, said Ambassador. (Note: Ambassador's meeting with head of Yemen Hunt Wyndell Caverness reported septel. End Note).

Saleh's Fall Trip to Washington

[1](#)5. (C) President Saleh raised his upcoming visit to Washington this fall, saying he wanted to focus on substantive issues rather than protocol during his trip. "Please," said Saleh, "I want to go in September. I am going to France and Japan in November already and I get more tired than I did ten years ago." Ambassador said September vice November would be difficult but that he would relay the

message.

Saleh: "I'm old, I'm tired, I May Not Seek Reelection

16. (C) Ambassador told Saleh he looked forward to 2006 local council elections and Presidential elections and to witnessing Yemen's democratic process unfold. "I wonder if it will be a close race," Ambassador asked the President. "As for me, I might not be a candidate," said Saleh, complaining that he was getting older and Yemen was facing huge economic and population problems. "Yemen is not an easy country to govern," continued Saleh, "It is like dancing in a circle of snakes."

17. (C) Comment: Obviously Saleh is not serious about sitting out the 2006 Presidential election. He is, however, increasingly paranoid about a possible challenger in 2006 according to several ROYG insiders, and, no doubt, preoccupied with succession to his long rule in 2013. Unless the Constitution is amended for a second time, Saleh's next term will be his last. Judging from recent attempts to promote a cult of personality and a lack of serious movement on democratic and economic reform, however, Saleh remains focused not on his legacy, but on maintaining his hold on power. End Comment.
Krajeski